



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
March 19, 2015 at 2:00 pm Room 308

by
Kalbert Young
Vice President – Budget & Finance & Chief Financial Officer
University of Hawai'i

SB 250 SD1 – RELATING TO FEDERAL FUNDS

Chair Luke, Vice Chair Nishimoto, and members of the Finance committee:

Thank you for this opportunity to testify. The University of Hawai'i (UH) has concerns with SB250 SD1, Relating to Federal Funds. This measure would amend statute to expressly state that the expenditure of federal-aid moneys is subject to appropriation. This measure would also broaden the definition of "federal funds" and would allow unanticipated or excess federal money that are not appropriated to be expended when authorized by proviso in the budget or supplemental budget act.

While we agree that best practices would be foreknowledge of an impending federal grant and a corresponding appropriation to authorize the expenditure of that grant, in practice, the timing, mechanics, and nature of federal grants would make a blanket policy impractical. The application and awarding of federal grants may occur at any time. Departments pursue federal grants whenever they are offered and this means throughout the course of a calendar year. It is not uncommon for departments to be unaware of a grant, or the potential future existence of a grant, during the time the Legislature is in session.

SB250 SD1 would practically require a department to only be able to apply for grants that have resources (i.e. positions and funding authority) already approved by the Legislature. Failure to respond to a grant announcement in a timely manner places the State in an unfavorable position when competing for a grant against other states. While this would impact UH because the University benefits from a lot of federal funds and pursues federal grants with vigor, the same impact would affect other departments as well.

Current budget procedures allow for the expenditure of such federal awards. Should the Legislature have concerns about the transparency or accountability of these awards, it might be best to work with the state Department of Budget and Finance to address those concerns.

Thank you for your time and consideration.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 250, S.D. 1

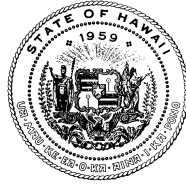
LATE

March 19, 2015

RELATING TO FEDERAL FUNDS

Senate Bill No. 250, S.D. 1, proposes to amend Chapter 29, HRS, Federal Aid, to require that all federal aid moneys received by the State be subject to appropriation or other law authorizing expenditure. The bill also proposes to amend Chapter 37, HRS, Budget, to: 1) amend the definitions of the various types of federal aid to include not only funds received but also funds “reasonably anticipated to be received” from the federal government; 2) define “unanticipated federal moneys” to be federal financial aid that is not included in the aforementioned definitions; and 3) provide that unanticipated federal moneys may be expended pursuant to budget act proviso and deemed an appropriation for the purpose of Article VII, Section 5 of the Constitution of the State of Hawaii.

Although, we do not believe the statutory changes proposed by this bill are necessary, we are in general support of this bill which will put current practice into statute.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

LATE

**Testimony in OPPOSITION to SB250 SD1
RELATING TO FEDERAL FUNDS**

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: March 19, 2015

Room Number: 308

1 **Fiscal Implications:** Negative impact on drawdown of discretionary federal funds.

2 **Department Testimony:** The Department of Health (DOH) respectfully opposed SB250 SD1
3 because of the unintended consequences that will put state agencies at a significant competitive
4 disadvantage for discretionary federal funds.

5 This proposal to require an appropriation or budget proviso for unanticipated federal funds
6 cannot be reconciled with federal grant making practices. State agencies receive no advance
7 notice of a federal grant opportunity and are generally given no more than five weeks to apply.
8 Funding opportunities are highly competitive and awards are made based on the merits of an
9 agency's proposal and past performance. Federal project officers oversee awards and demand
10 immediate action and sustained progress; otherwise moneys may be rescinded and redistributed
11 to other states. The requirement for statutory authorization prior to expenditure of federal funds,
12 particularly discretionary funds, places state agencies at a distinct competitive disadvantage.

13 As proposed, any discretionary grant applied for and awarded outside of the sixty day legislative
14 session. For example, a five year grant awarded on May 1, 2015 could not be expended until
15 July 1, 2016 a 14 month delay that would also push back recruitment.

16 DOH respectfully requests deferral of SB250 SD1 and highlights previous testimony from the
17 Department of Budget and Finance describing steps to curb unnecessarily high ceiling
18 projections for federal funds.

19 Thank you for the opportunity to testify.